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FROM: Guatemala City

TO: Secretary of State

NO: 277, September 20, 5 p.m.

Judging from conversation today with President Castillo Armas, prospects for agreement between him and Juan Cordova Cerna to assure latter's collaboration with government are not bright although there has not yet been complete break between them.

Castillo told me that Cordova was still insisting on formation of council of state which would handle high policy matters such as renegotiation of contracts with American companies, concessions for petroleum exploitation and return of German properties. He said he did not favor this idea because Cordova in his private law practice had been attorney for US companies and any agreement he made would be attacked by opposition abroad as sell-out of Guatemalan interests. He said if necessary he would go personally to US to explain his ideas about future of American companies and assured me he was not less favorable to them than Cordova Cerna.

I explained to Castillo that in my view council of state would be purely advisory body which would help President by making recommendations on complicated subjects which he referred to them but that final decision in each case was up to him. I also said I questioned advisability his leaving Guatemala at this time and assured him we did not doubt his good will toward US and would do what we could to support his government. However, he did not change his opinion about Cordova's plan for council of state.

Castillo said later electoral law would be issued to-
morrow thus marking further step toward elections
not say when new Cabinet would be announced. If (
ceeds in blocking formation of outstanding Cabine
gain confidence of country he will have created s:
obstacle to success Castillo's government. Embass
ing circumvent this difficulty by urging on all co
of giving united support to anti-Communist movement captained
by Castillo Armas.

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